

June 08, 2022

IDBI Bank Limited: Migration of the rating outstanding on the medium-term rating scale to the long-term rating scale

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Infrastructure Bonds	8,000.00	8,000.00	[ICRA]A+ (Stable); outstanding
Senior & Basel II Lower Tier II Bonds (subordinated bonds)	21,414.93	21,414.93	[ICRA]A+ (Stable); outstanding
Subordinated Debt	20.00	20.00	[ICRA]A+ (Stable); outstanding
Basel III Tier II Bonds	5,000.00	5,000.00	[ICRA]A+ (Stable); outstanding
Fixed Deposits	-	-	[ICRA]A+ (Stable); migrated from MAA- (Stable)
Certificates of Deposit	35,000.00	35,000.00	[ICRA]A1+; outstanding
Total	69,434.93	69,434.93	

*Instrument details are provided in Annexure-1

Rationale

In compliance with the circular [SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/594] issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 and the subsequent circular (SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2022/43) of April 1, 2022, for standardising the rating scales used by credit rating agencies, ICRA has discontinued the medium-term rating scale which was being used to assign ratings to the fixed deposit programmes of entities.

Accordingly, ICRA has migrated the rating currently outstanding for the fixed deposits programme of IDBI Bank Limited from the medium-term rating scale to the long-term rating scale. The medium-term rating scale of ICRA was a 14-point scale, while the long-term rating scale is a 20-point scale. The migration of the rating has resulted in a change in the rating symbol; however, this is to be construed only as a recalibration of the rating from one scale to another and not as a reflection of a change in the credit risk of the fixed deposit programme.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Rating Methodology for Banks
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of IDBI Bank. However, in line with our limited consolidation approach, we have factored in the capital requirement of the key subsidiaries of the Group, going forward. In ICRA's view, IDBI Bank's subsidiaries will largely remain self-sufficient in meeting their capital requirements in the near to medium term.

About the company

IDBI Bank Limited, founded in 1964, is a private sector bank headquartered in Mumbai. It was a public sector bank till February 2019 with the Government of India (GoI) holding a majority stake. In January 2019, Life Insurance Corporation of India (LIC) increased its stake in the bank to 51% by infusing capital of Rs. 21,624 crore, resulting in the dilution of the GoI's ownership to 46.46% as on January 24, 2019 from 85.96%. LIC maintained its holding at 51% during the subsequent capital raise of Rs. 9,300 crore in September 2020, while the GoI's share remained at a similar level of 47.11%. However, LIC and the GoI's holding in the bank was diluted to 49.24% and 45.48%, respectively, after it raised capital via a qualified institutional placement (QIP) in FY2021. The Reserve Bank of India (RBI) classified IDBI Bank as a private sector bank with effect from March 2019 on account of the decline in the GoI's shareholding below 50%. As on March 31, 2022, the GoI's shareholding stood at 45.48% and LIC's shareholding was 49.24%. As on March 31, 2021, the bank operated through 1,886 branches and 3,388 ATMs.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Name of Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Jun 08, 2022	FY2022	FY2021	FY2020
			(Rs. crore)	(Rs. crore)		Sep 27, 2021	Sep 30, 2020	Sep 19, 2019
1	Basel III Tier II Bonds	Long Term	5,000.00 [^]	1,900.00	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (hyb) (Stable)	[ICRA]A (hyb) (Negative)
2	Infrastructure Bonds	Long Term	8,000.00 [^]	5,000.00	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)
3	Senior & Basel II Lower Tier II Bonds	Long Term	21,414.93 [^]	1,664.20 [*]	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)
4	Subordinated Debt	Long Term	20.00 [^]	0.00	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)
5	Fixed Deposits	Long Term	-	-	[ICRA]A+ (Stable)	MAA- (Stable)	MAA- (Stable)	MAA- (Negative)
6	Certificates of Deposit	Short Term	35,000.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1

[^] Balance yet to be placed as on May 31, 2022; ^{*}Excludes matured amount of Rs. 3,756.10 crore – to be withdrawn

Complexity level of the rated instrument

Instrument	Complexity Indicator
Infrastructure Bonds	Very Simple
Senior & Basel II Lower Tier II Bonds (subordinated bonds)	Very Simple/Simple
Subordinated Debt	Very Simple
Basel III Tier II Bonds	Highly Complex
Fixed Deposits	Very Simple
Certificates of Deposit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE008A08N67	Senior Bonds	September 23, 2007	10.07%	September 23, 2022	4.20	[ICRA]A+ (Stable)
INE008A08R30	Senior Bonds	June 13, 2009	9.56%	June 13, 2029	1.00	[ICRA]A+ (Stable)
INE008A08R71	Senior Bonds	September 26, 2009	9.67%	September 26, 2029	2.00	[ICRA]A+ (Stable)
INE008A08U27	Senior Bonds	March 13, 2012	9.33%	March 13, 2022	300.00*	[ICRA]A+ (Stable)
INE008A08U35	Senior Bonds	May 30, 2012	9.03%	May 30, 2022	250.00*	[ICRA]A+ (Stable)
INE008A08U68^	Senior Bonds	December 26, 2012	9.40%	Perpetual (Call: December 26, 2022)	850.00	[ICRA]A+ (Stable)
INE008A08S88	Basel II Lower Tier II Bonds	July 8, 2010	8.57%	July 8, 2025	302.00	[ICRA]A+ (Stable)
INE008A08T79	Basel II Lower Tier II Bonds	November 26, 2011	9.72%	November 26, 2021	250.00*	[ICRA]A+ (Stable)
INE008A08T87	Basel II Lower Tier II Bonds	November 30, 2011	9.70%	November 30, 2021	500.00*	[ICRA]A+ (Stable)
INE008A08T95	Basel II Lower Tier II Bonds	December 13, 2011	9.45%	December 13, 2021	600.00*	[ICRA]A+ (Stable)
INE008A08U19	Basel II Lower Tier II Bonds	March 15, 2012	9.25%	March 15, 2022	1,000.00*	[ICRA]A+ (Stable)
INE008A08T20**	Basel II Lower Tier II Bonds	January 20, 2011	9.04%	January 20, 2026	856.10	[ICRA]A+ (Stable)
INE008A08U50	Basel II Lower Tier II Bonds	December 13, 2012	8.99%	December 13, 2027	505.00	[ICRA]A+ (Stable)
Proposed/Not Placed	Senior Bonds/ Basel II Lower Tier II Bonds/Subordinate Bonds	-	-	-	16,014.63	[ICRA]A+(Stable)
Proposed	Infrastructure Bonds	NA	NA	NA	3,000.00	[ICRA]A+ (Stable)
INE008A08U76	Infrastructure Bonds	September 12, 2014	9.27%	September 12, 2024	1,000.00	[ICRA]A+ (Stable)
INE008A08U92	Infrastructure Bonds	January 21, 2015	8.73%	January 21, 2025	3,000.00	[ICRA]A+ (Stable)
INE008A08V26	Infrastructure Bonds	February 9, 2016	8.80%	February 9, 2026	1,000.00	[ICRA]A+ (Stable)
Proposed	Basel III Tier II Bonds	NA	NA	NA	3,100.00	[ICRA]A+ (Stable)
INE008A08V00	Basel III Tier II Bonds	December 31, 2015	8.62%	December 31, 2030	1,000.00	[ICRA]A+ (Stable)
INE008A08V18	Basel III Tier II Bonds	January 2, 2016	8.62%	January 2, 2026	900.00	[ICRA]A+ (Stable)
NA	Fixed Deposits	NA	NA	NA	-	[ICRA]A+ (Stable)
NA	Certificates of Deposit	NA	-	7-365 days	35,000.00	[ICRA]A1+

Source: IDBI Bank; ^ Converted into senior bond from Basel II Compliant Tier I Bond – therefore, does not qualify for CRAR; * Matured – to be withdrawn; ** Call option exercised – to be withdrawn

Key features of the rated instruments

The servicing of the Basel II Lower Tier II Bonds, senior bonds and infrastructure bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II Bonds are expected to absorb losses once the point of non-viability (PONV) trigger is invoked. The Basel III instrument is a hybrid subordinated instrument with equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

Annexure-2: List of entities considered for consolidated analysis

Company Name	IDBI Ownership	Consolidation Approach
IDBI Capital Markets & Securities Ltd.	100%	Limited consolidation
IDBI Intech Ltd.	100%	Limited consolidation
IDBI Asset Management Ltd.	66.67%	Limited consolidation
IDBI MF Trustee Company Ltd.	100%	Limited consolidation
IDBI Trusteeship Services Ltd.	54.70%	Limited consolidation

Source: IDBI Bank

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About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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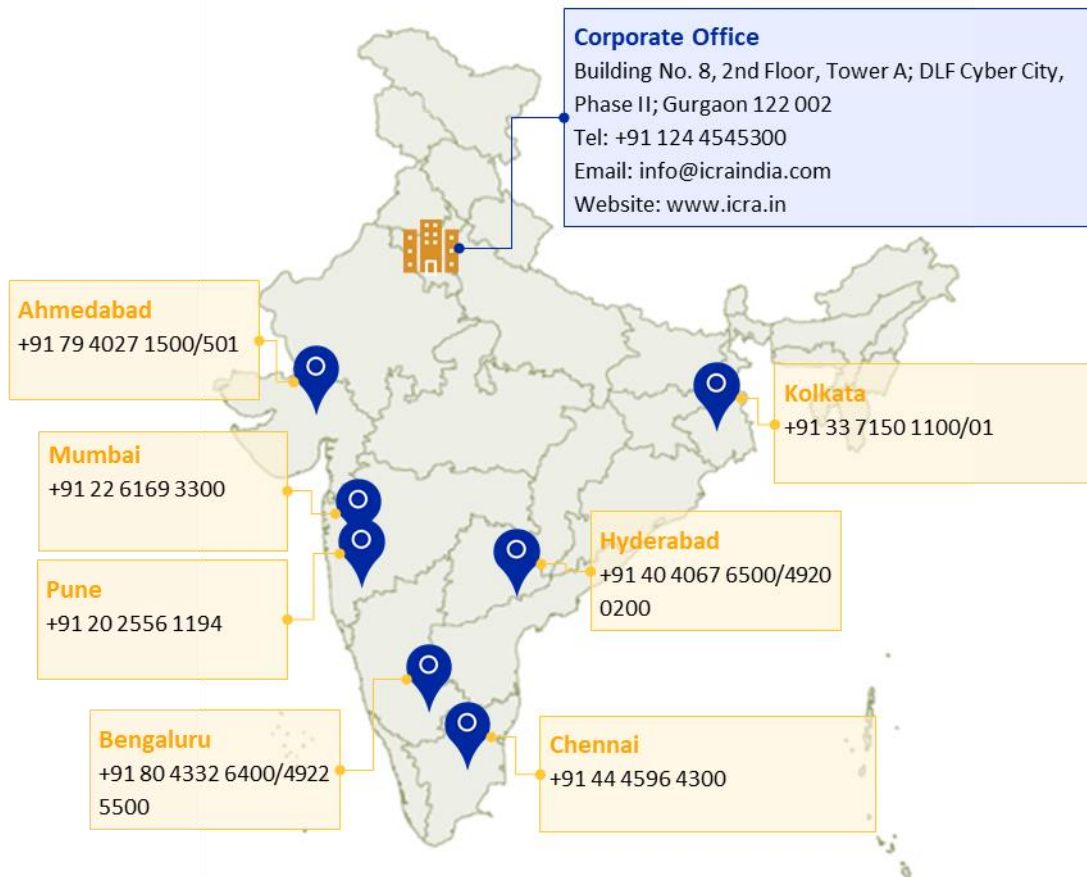
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